

# IRS News Release

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## **Accounting Issue for Automobile Dealers To Be Addressed by IRS Industry Issue Resolution Program**

IR-2007-39, Feb. 22, 2007

WASHINGTON — The Internal Revenue Service and the Treasury Department today announced that they will work to publish guidance for automobile wholesalers, manufacturers and dealers regarding the proper treatment of the dollar-value, last-in, first out (LIFO) inventory method for pooling purposes of crossover vehicles, which have characteristics of trucks and cars.

"The accounting issue confronting the automobile industry has been selected for the Industry Issue Resolution (IIR) Program, which provides guidance to help clarify complex tax issues. This program can provide a greater level of certainty for taxpayers, which is important in today's environment," said Large and Midsize Business Commissioner Deborah M. Nolan. "By following the guidance in the IIR, taxpayers can avoid time consuming audits on this issue."

Federal courts in the 1980's ruled that the LIFO pooling rules require taxpayers to account for cars and trucks in different pools. Since these rulings were handed down, the line between trucks and cars offered for sale has blurred.

Crossover vehicles include sport-utility vehicles, minivans, and pick-up trucks used as substitutes for cars, and it is not clear how they should be treated for LIFO purposes. A request for guidance was submitted by the law firm of Miller & Chevalier Chartered on behalf of the National Automobile Dealers Assn. (NADA) to resolve the issue arising from vehicles that do not fit clearly into either a car or a truck pool.

Since its inception in 2000, the IIR program has resulted in resolution of many different tax issues cumulatively affecting thousands of taxpayers in many different lines of business. For each issue selected, a multi-functional team gathers and analyzes the relevant facts and recommends guidance.

At any time, business associations and taxpayers may submit tax issues that they believe could be resolved through the IIR program. IIR project selection criteria and submission procedures are outlined in Revenue Procedure 2003-36, which is available on the IRS Web site at [IRS.gov](http://IRS.gov). The IRS reviews submissions at least semi-annually with the next review to be completed by March 31, 2007.

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Attached is detailed information regarding the issues the IRS considered during its latest review of IIR submissions.

ISSUES SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - SELECTED AS A 2006 IIR PROJECT	
Motor Vehicle Industry	
<b>Issue Description:</b> Clarification of LIFO Pools for Automotive Wholesalers, Manufacturers, and Dealers  <b>IRS Contact:</b> David Horton Director of Field Operations, HMT West Heavy Manufacturing and Transportation  Phone # 313-234-1340	<b>Submitted by:</b> Miller & Chevalier Chartered on behalf of NADA

ISSUES SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - <u>NOT</u> SELECTED AS A 2006 IIR PROJECT	
Motor Vehicle Industry	
<b>Issue Description:</b> Application of IRC 263A for Franchised Automobile and Truck Dealers	<b>Submitted by:</b> Crowe, Chizak & Co., LLC, on behalf of NADA
Trucking Industry	
<b>Issue Description:</b> Taxable Gross Weight of Truck	<b>Submitted by:</b> Penske Truck Leasing Co., LP
Cross Industry	
<b>Issue Description:</b> Electronically Filed W-2 Deadline	<b>Submitted by:</b> National Payroll Consortium, Inc.
<b>Issue Description:</b> Medical Insurance Paid by S-Corp for Greater than 2% Shareholder	<b>Submitted by:</b> Christine Zinkand, self
<b>Issue Description:</b> Separate Tax Identification from SSN	<b>Submitted by:</b> Luis A. Marhado, self
<b>Issue Description:</b> Business Reporting of Payments Made to Service Providers	<b>Submitted by:</b> Terry Hamilton, self
<b>Issue Description:</b> Royalty Payments and IRC 263A	<b>Submitted by:</b> Freed, Maxick, and Battaglia, PC